

63-8240

21 October 1963

Dear George:

The attached memorandum summarizes a rather lengthy telephone call with a very large shipping operator in New York who investigated the situation rather thoroughly for me prior to answering my questions.

I suggest that an analysis be made of the export programs of the Department of Agriculture of grain to Pakistan, India, Korea and elsewhere for the period November 1, 1963 through April, 1964. If this analysis would indicate that the planned exports would absorb the capacity of the American Flag tramp ships and hence the fleet would, for the most part, be gainfully occupied, it would be possible to defend a finding that American bottoms are not available for more than some stated fraction of the Soviet wheat program.

You should bear in mind that the portion of the American tramp ship fleet which is under charter and therefore committed nevertheless might be available for grain export as it is the practice of many operators to charter ships ahead and then fix them on a voyage basis when and as business comes into the market.

The assumption tanker operators would not be interested in the grain movement because of current high tanker rates (which are expected to hold through the first quarter of next year) is supported by the opinion of several independent operators as well as the oil companies themselves. However the Maritime Administration and MTIS have sources of information through which they can check and verify this opinion.

Sincerely,

/S/ John

JOHN A. McCONE  
DIRECTOR

Attachment

cc: The Honorable Franklin D. Roosevelt  
The Under Secretary of Commerce

*Stately*

The Honorable George W. Ball *Handwritten initials*  
The Under Secretary of State  
Department of State  
Washington, D. C.

JAM mfb  
Orig - Secretary Ball  
lcc - Secretary Roosevelt  
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31 October 1963

**MEMORANDUM FOR: The Honorable George W. Ball**  
**Under Secretary of State**

**The Honorable Franklin D. Roosevelt, Jr.**  
**Under Secretary of Commerce**

**Inquiries that I have made after my meeting with Secretary Ball and Secretary Roosevelt yesterday resulted in the following:**

- 1. The American tramp fleet consists of about 140 ships of the Liberty, Victory and (C) types, and a few (6 only, I believe) bulk carriers of 17,000 to 22,000 d. w. t.**

**Note: This does not include cargo vessels under long term charter to MSTs.**

- 2. Of the above, 50 to 75 will be available for new business for the period November/December 1963 through March/April 1964. The balance of the fleet are under charter and therefore committed during this period.**

- 3. Therefore the 50 to 75 vessels will be available for bulk cargoes of all types such as PL 480, agricultural products, etc., which come into the market during the December-March period. The shipping industry feel that available tonnage will gainfully occupy all of these ships.**

- 4. The subsidized lines running into the Baltic or the Mediterranean such as Waterman, American Export, U. S. Lines, etc., would probably be interested in less than full cargo parcels, perhaps in the range of 3,000 to 4,000 tons per voyage to "top out" their berth line ships, if and when space is available. However, by and large the berth line ships on both the Pacific and the Atlantic are going out well loaded and it would be difficult to move any great amount of tonnage in them.**

5. Apparently tankers are out. The tanker rate is now quite high and rising rapidly. The tank ship owners and the oil companies expect the American Flag fleet to be fully occupied from now until March-April, 1964. Tanker rates are such that the grain business is not attractive, even at the high freight rates presently indicated.

6. The present rates to Pakistan and India are \$15 a ton Foreign Flag, and \$31 a ton American Flag. On a comparable basis an equivalent rate into Black Sea ports would be about \$25 per ton for standard 10,000 ton American Flag cargo ships and perhaps \$21 or \$22 a ton for 20,000 ton American Flag special bulk carriers, if any are available.

7. Foreign Flag rates have risen sharply in recent weeks. As an example, two months ago the Foreign Flag rate on grain from the Gulf to the Pakistan-India range was \$8 to \$9; it is now \$15 per ton.

8. The time charter rates on American Flag ships have risen sharply in the New York market. Most recent quotations are C-2's at \$82,500 per month; C-3's at \$94,000 per month. This is several thousand dollars above rates quoted 30 days ago. Time charter rates on Liberties would be less but they are not usually taken on time charter.

9. There are only about 10 or 12 American tramp ships on the Pacific.

JOHN W. McCONE  
Director

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